

ORANGE COAST COLLEGE FOUNDATION

AUDITED FINANCIAL STATEMENTS

**For the Year Ended June 30, 2016
with Comparative Totals for the Year Ended June 30, 2015
and
Independent Auditor's Report**

ORANGE COAST COLLEGE FOUNDATION
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange Coast College Foundation
2701 Fairview Road
Costa Mesa, California 92626

We have audited the financial statements of Orange Coast College Foundation (the Foundation), a Component Unit of Coast Community College District, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Orange Coast College Foundation

Opinion

In our opinion, the financial statements referred to in this letter present fairly, in all material respects, the financial position of Orange Coast College Foundation as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the 2014-15 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Foundation's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 7, 2015. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Vicenti, Lloyd & Stutzman LLP

VICENTI, LLOYD & STUTZMAN LLP
Glendora, California
January 10, 2017

ORANGE COAST COLLEGE FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2016

With Comparative Totals at June 30, 2015

| ASSETS | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---|-----------------------------|-----------------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 933,471 | \$ 256,292 |
| Accounts receivable | 1,739 | 60,672 |
| Notes receivable - Current Portion | 25,567 | - |
| Pledges receivable | 200,000 | 150,000 |
| Other assets | <u>25,000</u> | <u>25,000</u> |
| Total current assets | <u>1,185,777</u> | <u>491,964</u> |
| Non-Current Assets | | |
| Notes receivable - Long-Term Portion | 38,914 | - |
| Pledges receivable, net of discount | 37,174 | 130,900 |
| Receivable for split interest agreement | 331,856 | 368,956 |
| Investments, at fair value | 14,764,087 | 14,773,370 |
| Assets held for sale | 98,298 | 78,838 |
| Property and equipment, net | <u>6,659,128</u> | <u>4,008,427</u> |
| Total non-current assets | <u>21,929,457</u> | <u>19,360,491</u> |
| Total assets | <u>\$ 23,115,234</u> | <u>\$ 19,852,455</u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ 64,364 | \$ 30,477 |
| Charter deposits | - | 110,000 |
| Due to Coast Community College District | <u>34,851</u> | <u>21,204</u> |
| Total current liabilities | <u>99,215</u> | <u>161,681</u> |
| Net Assets | | |
| Unrestricted | 998,474 | 928,290 |
| Temporarily restricted | <u>22,017,545</u> | <u>18,762,484</u> |
| Total net assets | <u>23,016,019</u> | <u>19,690,774</u> |
| Total liabilities and net assets | <u>\$ 23,115,234</u> | <u>\$ 19,852,455</u> |

See the accompanying notes to the financial statements.

ORANGE COAST COLLEGE FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

With Comparative Totals for the Year Ended June 30, 2015

| | June 30, 2016 | | | June 30, 2015 |
|--|----------------------|-----------------------------------|---------------|----------------------|
| | Unrestricted | Temporarily Restricted | Total | Total |
| REVENUES | | | | |
| Support and revenue | | | | |
| Contributions | \$ 82,515 | \$ 2,090,060 | \$ 2,172,575 | \$ 1,383,028 |
| Special events | 39,147 | | 39,147 | 4,332 |
| Sales | | 56,858 | 56,858 | 87,025 |
| Management fees | 58,433 | | 58,433 | 53,759 |
| Miscellaneous revenue | | 58,629 | 58,629 | 64,047 |
| Donated property and equipment | | 4,976,012 | 4,976,012 | 1,665,742 |
| Donated services | 557,748 | | 557,748 | 476,557 |
| Donated facilities | 1,658 | | 1,658 | 1,658 |
| Total support | 739,501 | 7,181,559 | 7,921,060 | 3,736,148 |
| Other income, gains and losses | | | | |
| Charter fees | | 804,170 | 804,170 | 76,500 |
| Loss on sale of donated assets | | (292,474) | (292,474) | (217,931) |
| Gain on sale of fixed assets | | 10,889 | 10,889 | 9,202 |
| Investment income, net of expense | 19,897 | 295,886 | 315,783 | 315,979 |
| Realized gain (loss) on investments | (75,924) | 40,316 | (35,608) | 21,503 |
| Unrealized gain (loss) on investments | | (302,676) | (302,676) | (229,220) |
| Change in value for split interest agreements | | (36,676) | (36,676) | (28,663) |
| Total other income, gains and losses | (56,027) | 519,435 | 463,408 | (52,630) |
| Total revenues before net assets released from restrictions | 683,474 | 7,700,994 | 8,384,468 | 3,683,518 |
| Net assets released from restrictions | 4,445,933 | (4,445,933) | - | - |
| Total revenues | 5,129,407 | 3,255,061 | 8,384,468 | 3,683,518 |
| EXPENSES | | | | |
| Program services | 4,568,367 | | 4,568,367 | 3,985,899 |
| Supporting services: | | | | |
| Management and general | 364,852 | | 364,852 | 358,373 |
| Fundraising | 126,004 | | 126,004 | 104,447 |
| Total expenses | 5,059,223 | - | 5,059,223 | 4,448,719 |
| Change in net assets | 70,184 | 3,255,061 | 3,325,245 | (765,201) |
| NET ASSETS | | | | |
| Beginning of year, as previously reported | 928,290 | 18,762,484 | 19,690,774 | 20,087,019 |
| Restatement (Note 14) | | | - | 368,956 |
| Beginning of year, after restatement | 928,290 | 18,762,484 | 19,690,774 | 20,455,975 |
| End of year | \$ 998,474 | \$ 22,017,545 | \$ 23,016,019 | \$ 19,690,774 |

See the accompanying notes to the financial statements.

ORANGE COAST COLLEGE FOUNDATION

**STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016**

With Comparative Totals for the Year Ended June 30, 2015

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---|----------------------|-----------------------|
| Cash flows from operating activities | | |
| Contributions and special events | \$ 2,180,119 | \$ 1,507,720 |
| Interest | 315,783 | 315,979 |
| Operations | 919,657 | 227,572 |
| Payments to/on behalf of employees | (422,495) | (395,781) |
| Payments to suppliers | (1,929,588) | (2,408,841) |
| Payments to/on behalf of students for scholarships | (710,410) | (733,914) |
| Net cash provided/(used) by operating activities | <u>353,066</u> | <u>(1,487,265)</u> |
| Cash flows from investing activities | | |
| Proceeds from sale of boats and equipment | 517,672 | 101,562 |
| Acquisitions of boats and equipment | (40,348) | (31,920) |
| Purchase of investments | (2,528,773) | (2,306,993) |
| Proceeds from sale of investments | <u>2,375,562</u> | <u>2,562,295</u> |
| Net cash provided by investing activities | <u>324,113</u> | <u>324,944</u> |
| Net increase in cash and cash equivalents | 677,179 | (1,162,321) |
| Cash and cash equivalents, beginning of year | <u>256,292</u> | <u>1,418,613</u> |
| Cash and cash equivalents, ending of year | <u>\$ 933,471</u> | <u>\$ 256,292</u> |
| Reconciliation of change in net assets to cash provided/ (used) by operating activities | | |
| Change in net assets | \$ 3,325,245 | \$ (765,201) |
| Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities: | | |
| Depreciation expense | 1,197,095 | 452,504 |
| Realized and unrealized loss on investments | 338,284 | 207,717 |
| Non-cash contributions received | (4,976,012) | (1,665,742) |
| Loss on sale of donated items | 292,474 | 217,931 |
| Gain on sale of fixed assets | (10,889) | (9,202) |
| Change in value of split-interest agreement | 36,676 | 28,663 |
| Changes in assets - (increase)/decrease: | | |
| Accounts receivable | 58,933 | 39,328 |
| Pledge receivable | 43,726 | 151,750 |
| Contribution receivable from split-interest agreement | - | 36,136 |
| Prepaid assets | - | 4,650 |
| Changes in liabilities - increase/(decrease): | | |
| Accounts payable | 33,887 | (173,698) |
| Due to Coast CCD | <u>13,647</u> | <u>(12,101)</u> |
| Net cash provided/(used) by operating activities | <u>\$ 353,066</u> | <u>\$ (1,487,265)</u> |
| Non-cash investments activities include: | | |
| Donated property | \$ 4,841,750 | \$ 1,498,902 |
| Equipment | 134,262 | 106,796 |
| Stock donations | - | 60,044 |
| Net non-cash investment activities | <u>\$ 4,976,012</u> | <u>\$ 1,665,742</u> |

See the accompanying notes to the financial statements.

ORANGE COAST COLLEGE FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

With Comparative Totals for the Year Ended June 30, 2015

| | June 30, 2016 | | | | June 30, 2015 |
|---------------------------|---------------------|------------------------|-------------------|---------------------|---------------------|
| | Program Services | Management and General | Fundraising | Total | Total |
| Donated services | \$ 200,789 | \$ 239,832 | \$ 117,127 | \$ 557,748 | \$ 476,557 |
| Donated facilities | | 1,658 | | 1,658 | 1,658 |
| Donated equipment | 134,262 | | | 134,262 | 106,796 |
| Scholarships and grants | 710,410 | | | 710,410 | 733,914 |
| Salaries and benefits | 436,142 | | | 436,142 | 383,680 |
| Services - broker fees | 151,768 | | | 151,768 | 2,138 |
| Advertising and promotion | 8,080 | | | 8,080 | 345 |
| Office expenses | 71,335 | 19,009 | 1,471 | 91,815 | 76,749 |
| Occupancy - moorage | 148,797 | | | 148,797 | 55,740 |
| Travel | 59,611 | | | 59,611 | 41,432 |
| Conferences and meetings | 1,415 | 3,757 | | 5,172 | 6,628 |
| Depreciation | 1,197,095 | | | 1,197,095 | 452,504 |
| Insurance | | 11,079 | | 11,079 | 9,349 |
| Equipment | 825,707 | 23,576 | | 849,283 | 701,138 |
| Hospitality | 38,124 | 8,232 | 5,655 | 52,011 | 46,360 |
| Management fees | 56,125 | 2,308 | | 58,433 | 53,759 |
| Bank charges and fees | 67,715 | 8,397 | 153 | 76,265 | 10,745 |
| Contract services | 89,453 | | | 89,453 | 11,598 |
| Special events | | | 1,498 | 1,498 | 3,000 |
| Program expenses | 304,814 | | | 304,814 | 1,066,980 |
| Other expenses | 66,725 | 47,004 | 100 | 113,829 | 207,649 |
| Total | <u>\$ 4,568,367</u> | <u>\$ 364,852</u> | <u>\$ 126,004</u> | <u>\$ 5,059,223</u> | <u>\$ 4,448,719</u> |

See the accompanying notes to the financial statements.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

With Comparative Totals for Year Ended June 30, 2015

NOTE 1 - ORGANIZATION:

The Orange Coast College Foundation (the Foundation) is a non-profit public benefit corporation organized under the Non-profit Public Corporation Law of the State of California. The Foundation was incorporated on August 7, 1984 with the express purpose of promoting and assisting the educational programs of Orange Coast College (the College) in accordance with the mission, policies and priorities of the College as administered by its President. The Foundation conducts its operations in conformity with general regulations established by the Coast Community College District (the District) as required by the Education Code Section 72672(c). The members of the Foundation's Board of Directors are composed of members from the local community. The Foundation maintains boats, many of which were donated, to use in the educational programs at the College.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting - The financial statements of the Foundation have been prepared on the accrual basis of accounting.

Classification of Net Assets - The Foundation reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets are restricted for scholarship and educational program funds.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Currently, the Foundation has no permanently restricted net assets.

Cash and Cash Equivalents - Cash and cash equivalents are considered to be all cash available for immediate use and cash held for investment. Cash and cash equivalents consist of cash in interest bearing bank accounts and money market funds.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

With Comparative Totals for Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Pledges Receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges that are greater than \$50,000 and due in more than one year are recognized at fair value using present value discount rate of 4.5%. Amortization of the discount is included in contribution revenue.

Management has reviewed the collectability of these pledges and determines the balances to be fully collectable. A plan to regularly evaluate pledges receivable and the potential collectability is in place and reviewed throughout the year.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Investment income (interest and dividends) is included in the change in net assets from operations unless the income or loss is restricted by donor or law.

Split Interest Agreement - The Foundation is the beneficiary of a charitable remainder trust. The terms and discount rates for this agreement is based upon the life expectancy of the donor(s) and present value tables provided by the Internal Revenue Service for determining the amount of the charitable contribution. The charitable remainder trust is administered by a third-party. Assets associated with the split-interest agreement are recognized at the present value of the estimated future benefits of the agreement.

Property and Equipment - Property and equipment are stated at cost. Donated property is recorded at its estimated fair value at the date of receipt, which is then treated as cost. The Foundation maintains a capitalization threshold of \$500. The costs of normal maintenance and repairs that do not add to the value of an asset or significantly extend an asset's life are not capitalized.

Depreciation is computed on the straight-line basis over the estimated useful life of the assets. The estimated useful life for property and equipment is 5-10 years.

Accounts Payable - Accounts payable consists of amounts due to vendors, but not yet disbursed during the fiscal year.

Functional Allocation of Expenses - The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

With Comparative Totals for Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions - Contributions, including unconditional promises to give, are recorded when made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Donations, other than cash are recorded at estimated fair value at the time of the donation.

Management Fee - The Foundation serves the Orange Coast College campus clubs, departments, and organizations by managing funds for scholarships and other purposes to promote education. These funds are assessed an annual management fee to cover the stewardship and administrative expenses. This fee is recognized as unrestricted income.

Comparative Totals - The financial statements and notes include certain prior-year summarized comparative information in total, but not by net assets class. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2015. As discussed in Note 14, the 2014-15 financial statements have been restated to correct a misstatement.

Reclassifications - Certain reclassifications to the summarized comparative information have been made to conform with the current year presentation.

Donated Property and Equipment - Donated property and equipment are reflected as contributions in the accompanying statements at their estimated value at date of donation. For donated items with estimated values of \$5,000 or higher an appraisal is provided by the donor. This appraised value is the basis for the value recognized for the in-kind contribution.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

With Comparative Totals for Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

Income Taxes - The Foundation qualifies as a tax exempt organization under the Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code 23701d.

The Foundation has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of any audit by taxing authorities at the federal and state levels. The primary tax positions evaluated relate to the Foundation's continued qualification as a tax-exempt organization and whether there are unrelated business income activities that would be taxable. Management has determined that all income tax positions will more likely than not be sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required.

The Foundation files informational returns in the U.S. federal jurisdiction, and the state of California. With few exceptions, the Foundation is no longer subject to U.S. federal and state examinations for generally three and four years, respectively.

Subsequent Events - The Foundation has evaluated subsequent events through January 10, 2017, which is the date these financial statements were available to be issued. There were no subsequent events requiring disclosure as of June 30, 2016.

NOTE 3 – CONCENTRATION OF CREDIT RISK:

Deposits - Custodial credit risk is the risk that, in the event of a financial institution's failure, the Foundation may not be able to recover its deposits. The Foundation occasionally has a need to maintain cash balances in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2016 and 2015, none of the Foundation's cash balance were exposed to an uninsured credit risk.

Investments - Investments with brokers are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 of which \$250,000 may be cash. Insurance protects assets in the case of broker-dealer insolvency and not against decline in market values. As of June 30, 2016 and 2015, the Foundation had investments in excess of the SIPC insurance amount; however the Foundation believes it is not exposed to any significant credit risk on its cash balances.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

With Comparative Totals for Year Ended June 30, 2015

NOTE 3 – CONCENTRATION OF CREDIT RISK: (continued)

Notes receivable – The credit risk for notes receivable is concentrated to one borrower with an acceptable credit rating. Realization of the notes receivable is dependent on various individual economic conditions. The notes receivable is secured by the vessel Torea and carried at the estimated net realizable value. As of June 30, 2016, the Foundation had no significant concentrations of credit risks.

NOTE 4 – NOTES RECEIVABLE:

The Foundation held a promissory note from Adaptive Development LLC, dated October 15, 2015 in the amount of \$78,666 for the sale of the vessel Torea. Interest on the note is calculated at 5 percent. The principal and interest is due on a quarterly basis with the final payment due on or before October 15, 2018. At June 30, 2016, the outstanding principal due is \$64,481. Interest included in investment income is \$1,864.

Management has determined that the notes receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2016.

NOTE 5 – PLEDGES RECEIVABLE:

Unconditional promises to give are as follows:

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|---------------------------------|-----------------------------|-----------------------------|
| Receivable - less than one year | \$ 200,000 | \$ 150,000 |
| Receivable - one to five years | 50,000 | 150,000 |
| Gross unconditional pledges | 250,000 | 300,000 |
| Less: discount | (12,826) | (19,100) |
| Net pledges receivable | <u>\$ 237,174</u> | <u>\$ 280,900</u> |

Pledges receivable have been discounted to present value using a discount rate of 4.5%.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

With Comparative Totals for Year Ended June 30, 2015

NOTE 6 - INVESTMENTS:

Investments are recorded at cost at date of acquisition or fair value at date of donation. As of June 30, 2016 and 2015, investments are reported at fair value. Cost and fair values at June 30, 2016 and 2015 are as follows:

| | <u>June 30, 2016</u> | | <u>June 30, 2015</u> | |
|------------------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| <u>Level 1</u> | | | | |
| Money market | \$ 294,583 | \$ 294,583 | \$ 305,810 | \$ 305,810 |
| Fixed income | 4,843,508 | 4,844,926 | 5,126,499 | 4,993,667 |
| Marketable equity | 7,729,627 | 8,229,021 | 7,414,590 | 8,435,935 |
| <u>Level 3</u> | | | | |
| Real estate | 476,132 | 557,130 | 240,848 | 259,149 |
| Venture capital/partnerships | 233,800 | 260,821 | 172,450 | 177,975 |
| Hedge Fund | 500,000 | 577,606 | 500,000 | 600,834 |
| Total | <u>\$ 14,077,650</u> | <u>\$ 14,764,087</u> | <u>\$ 13,760,197</u> | <u>\$ 14,773,370</u> |

Levels 1 through 3 have been assigned to the fair value measurement of investments. The fair value level of measurement is determined as follows:

Level 1 - quoted prices in an active market for identical assets.

Level 2 - quoted prices for similar assets and market-corroborated inputs.

Level 3 - the organization's own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

Investment return for the years ended June 30, 2016 and 2015 are as follows:

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|-----------------------------------|----------------------|----------------------|
| Investment income, net of expense | \$ 315,783 | \$ 315,979 |
| Net realized gain (loss) | (35,608) | 21,503 |
| Net unrealized loss | <u>(302,676)</u> | <u>(229,220)</u> |
| Total | <u>\$ (22,501)</u> | <u>\$ 108,262</u> |

ORANGE COAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

With Comparative Totals for Year Ended June 30, 2015

NOTE 6 - INVESTMENTS: (continued)

The fair value of the Foundation’s investments in certain real estate, venture capital/partnerships and hedge funds have been reported using the exchange rates or local market prices as reported by the management of the respective alternative investment. Therefore, the amounts reported by the alternative investment fund are classified as Level 3.

The table below presents information about recurring fair value measurements that use significant unobservable inputs (Level 3 measurements):

| | <u>Real Estate</u> | <u>Venture Capital/ Partnerships</u> | <u>Hedge Fund</u> | <u>Total</u> |
|---|--------------------|--|--------------------|---------------------|
| Balance at July 1, 2015 | \$ 259,149 | \$ 177,975 | \$ 600,834 | \$ 1,037,958 |
| Total gains or losses for the period | 42,981 | (7,704) | (23,228) | 12,049 |
| Purchases and sales | | | | |
| Purchases | 255,000 | 90,550 | | 345,550 |
| Sales | | | | - |
| Transfer to level 1 | | | | - |
| Balance at June 30, 2016 | <u>\$ 557,130</u> | <u>\$ 260,821</u> | <u>\$ 577,606</u> | <u>\$ 1,395,557</u> |
| Gains and losses for the period included in the change in unrestricted net assets | \$ 284 | \$ - | | \$ 284 |
| Change in unrealized gains and losses for the period included in the change in net assets, for assets held at the end of the reporting period | <u>42,697</u> | <u>(7,704)</u> | <u>(23,228)</u> | <u>11,765</u> |
| Total gains (losses) for the period | <u>\$ 42,981</u> | <u>\$ (7,704)</u> | <u>\$ (23,228)</u> | <u>\$ 12,049</u> |

NOTE 7 – INVESTMENT WITH FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES (FCCC):

The Foundation has entered into a partnership arrangement with the California Community Colleges Scholarship Endowment (CCCSE) through the Foundation for California Community Colleges (FCCC). The FCCC has an investment advisory committee charged with the responsibility for directing and monitoring the investment management of the CCCSE’s assets.

The Foundation has transferred a total of \$22,486 to the FCCC. These funds are invested in a pooled investment fund held by the FCCC. At June 30, 2016 the fair value of this investment was \$22,001, which consisted of cash of \$1,276, equity securities of \$14,125 and fixed income instruments of \$6,600 measured at quoted prices in active markets for identical assets (Level 1).

ORANGE COAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

With Comparative Totals for Year Ended June 30, 2015

NOTE 7 – INVESTMENT WITH FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES (FCCC): (continued)

The investment and related net change in value by investment class and fund distributions from investment returns has not been reflected in the financial statements.

Changes in FCCC net assets for the year ended June 30, 2016 and summarized information for the year ended June 30, 2015 are as follows:

| | <u>June 30, 2016</u> | | | <u>June 30, 2015</u> |
|--|-------------------------------|-------------------------------|------------------|----------------------|
| | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> | <u>Total</u> |
| Investments with FCCC, beginning of year | \$ 2,072 | \$ 22,486 | \$ 24,558 | \$ 25,733 |
| Investment return: | | | | |
| Investment income, net of expenses | 427 | | 427 | 531 |
| Net appreciation (realized and unrealized) | (984) | | (984) | (373) |
| Total investment return | (557) | - | (557) | 158 |
| Disbursements | | | | |
| Fund distributions | (2,000) | | (2,000) | (1,333) |
| Total disbursements | (2,000) | - | (2,000) | (1,333) |
| Change in value, FCCC investments | (2,557) | - | (2,557) | (1,175) |
| Investments with FCCC, end of year | <u>\$ (485)</u> | <u>\$ 22,486</u> | <u>\$ 22,001</u> | <u>\$ 24,558</u> |

The CCCSE was set up to provide matching scholarships funds for California community colleges. The CCCSE was formed through a generous \$50 million matching commitment from the Osher Foundation and an initial contribution of \$25 million. The CCCSE began to distribute scholarship funding from the initial \$25 million gift to each participating community college in the 2009-10 year. The allocation is based on each college's full time equivalent students (FTES) and each scholarship will be valued at \$1,000 for a school year. The Foundation received \$20,000 from the Osher Foundation during the years ended June 30, 2016 and 2015 for scholarships.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

With Comparative Totals for Year Ended June 30, 2015

NOTE 8 – PROPERTY AND EQUIPMENT:

Property and equipment at June 30, 2016 and 2015 consisted of the following:

| | <u>Balance</u> <u>July 1, 2015</u> | <u>Additions</u> | <u>Transfers and</u> <u>Deletions</u> | <u>Balance</u> <u>June 30, 2016</u> |
|--------------------------------|---------------------------------------|---------------------|--|--|
| Capital assets | | | | |
| Non-depreciable: | | | | |
| Land | \$ 10,000 | \$ | \$ | \$ 10,000 |
| Depreciable: | | | | |
| Equipment | 382,713 | 4,846,250 | (4,710,850) | 518,113 |
| Boats | <u>5,454,863</u> | <u>4,759,840</u> | <u>(1,644,296)</u> | <u>8,570,407</u> |
| Total cost and donated assets | <u>5,847,576</u> | <u>9,606,090</u> | <u>(6,355,146)</u> | <u>9,098,520</u> |
| Accumulated depreciation | | | | |
| Equipment | (55,746) | (23,494) | | (79,240) |
| Boats | <u>(1,783,403)</u> | <u>(1,173,601)</u> | <u>596,852</u> | <u>(2,360,152)</u> |
| Total accumulated depreciation | <u>(1,839,149)</u> | <u>(1,197,095)</u> | <u>596,852</u> | <u>(2,439,392)</u> |
| Net property and equipment | <u>\$ 4,008,427</u> | <u>\$ 8,408,995</u> | <u>\$ (5,758,294)</u> | <u>\$ 6,659,128</u> |

The costs of certain California Department of Boating and Waterways (DBW) owned boats, which are used by the Foundation in connection with the College’s educational programs, are not reflected in the statement of financial position because asset titles remain with the DBW.

NOTE 9 – ASSETS HELD FOR SALE:

The Foundation accepts boats and marine equipment to support the College’s School of Sailing and Seamanship (the School). Gifts made to the Foundation support 30% of the School’s budget. Boats and marine equipment not used in the program are held for sale. As of June 30, 2016 and 2015, the fair value is \$98,298 and \$78,838, respectively.

Level 3 has been assigned to the fair value of these assets. The fair value measurement for Level 3 is determined by the organization’s own assumptions about market participation, including assumptions about risk, which are developed based on the best information available in the circumstances. Management has chosen to recognize the change in value when realized due to economic uncertainties.

ORANGE COAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

With Comparative Totals for Year Ended June 30, 2015

NOTE 10 - SALE OF DONATED ASSETS:

The Foundation records donated assets at their fair value on the date of the donation. For donated items used for instructional purposes, these items are recognized as property and equipment and depreciated as described in Note 2. Upon the disposal or sale of the property and equipment, the Foundation recognizes either a gain or loss from the disposal or sale of the donated assets. Sale of donated assets of boats and marine equipment for the years ended June 30, 2016 and 2015 is as follows:

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|-------------------------|-----------------------------|-----------------------------|
| Net proceeds from sale | \$ 653,239 | \$ 101,562 |
| Less net value* | <u>(945,713)</u> | <u>(319,493)</u> |
| Net gain (loss) on sale | <u>\$ (292,474)</u> | <u>\$ (217,931)</u> |

*Net value is the original donated value less accumulated depreciation.

NOTE 11 – CHARTER FEES:

Certain boats donated to the Foundation may be leased for a period of approximately two years, with an option to purchase. Income is recognized in the year received. During the fiscal year 2015-16, charter fees and depreciation expenses were \$804,170 and \$751,017, respectively. During the fiscal year 2014-15, charter fees and depreciation expenses were \$76,500 and \$118,900, respectively.

NOTE 12 - RESTRICTIONS AND LIMITATIONS OF NET ASSET BALANCES:

Temporary restricted net assets consist of the following at June 30, 2016 and 2015:

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|--------------------------------|-----------------------------|-----------------------------|
| Scholarships and grants | \$ 4,668,503 | \$ 4,695,260 |
| College and student assistance | 14,944,098 | 11,883,492 |
| Capital projects: | | |
| Art pavilion | 54,963 | 54,924 |
| Recycling center | 404,463 | 302,207 |
| Planetarium | 506,754 | 382,570 |
| Sailing center expansion | <u>1,438,764</u> | <u>1,444,031</u> |
| Total | <u>\$ 22,017,545</u> | <u>\$ 18,762,484</u> |

ORANGE COAST COLLEGE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

With Comparative Totals for Year Ended June 30, 2015

NOTE 13 - NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets of \$4,445,933 were released from temporary donor restrictions during the fiscal year 2015-16. The Foundation met donor imposed restrictions by incurring qualified expenses.

NOTE 14 – SPLIT INTEREST AGREEMENT AND RESTATEMENT:

In 1975, the Foundation became a beneficiary of a one-half interest in the estate of Hazel Cubbon Greenleaf. The will established the Hazel Cubbon Greenleaf Educational Fund (the trust) with one-half of the assets in the estate. During 2015-16 and 2014-15, the Foundation received distributions and investment income of approximately \$31,900 and \$37,700, respectively, from this trust. At June 30, 2016 and 2015, the Foundation's estimated net present value of their share was \$331,856 and \$368,956, respectively.

The Foundation will not receive its share of the trust assets until the last heir to the estate passes away. The Foundation had not previously recognized the trust as a receivable from the split-interest agreement; management's interpretation was to recognize the donation upon receipt of the trust assets since management does not currently manage or maintain control of the trust. Additional research determined that the trust should be recognized as a receivable from the split-interest agreement. A restatement of \$368,956 to increase temporarily restricted net assets and to recognize a receivable for split interest agreement was recorded to the 2014-15 comparative totals. This amount represents the Foundation's share of the trust's fair value at July 1, 2015.

NOTE 15 - RELATED PARTIES:

The Foundation provides various levels of monetary support and service to the Coast Community College District. The transactions are recorded within the financial statements as distributions, student programs, and scholarship expense.

The primary purpose of the Foundation is to assist in the institutional development and encourage community support to the College. The Foundation receives gifts, property and funds to be used for the benefit of the College, its programs, and any person or organization having an official relationship with the College.

To assist the Foundation in carrying out its purpose, the District provides administrative services to the Foundation. The District pays salaries and benefits of the executive director, administrative assistants and accountants. In addition, working space for employees who perform administrative services for the Foundation is provided by the District at no charge. The donated services for the fiscal year 2015-16 and 2014-15 were valued at \$557,748 and \$476,557, respectively, and have been reflected in the financial statements as donated services. The donated facilities for the fiscal year 2015-16 and 2014-15 were valued at \$1,658 and have been reflected in the financial statements as donated facilities.